

Message Text

CONFIDENTIAL

PAGE 01 STATE 099453

43

ORIGIN ARA-10

INFO OCT-01 ISO-00 OES-06 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 SP-02 SS-15 STR-04 TRSE-00 AGR-05

ACDA-07 /105 R

DRAFTED BY ARA:BR:RWZIMMERMANN:LK

APPROVED BY ARA:BR:RWZIMMERMANN

OES/SCI/AE:MPOCHNIK

----- 095632

R 240244Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

C O N F I D E N T I A L STATE 099453

E.O. 11652: GDS

TAGS: TECH, BR, US

SUBJECT: UEKI ADVANCE GROUP ON OIL SHALE AND FERTILIZER

SUMMARY: BILLED AS ONE OF FOUR ADVANCE GROUPS FOR THE
UEKI VISIT A TWO PART DELEGATION (PETROBRAS-TETROQUISA)
ARRIVED IN WASHINGTON APRIL 5. HOMERO B. MOREIRA
(ASSISTANT SUPERINTENDENT OF INDUSTRIALIZACAO DO XISTO)
CAME TO SEEK FINANCING FOR A COMMERCIAL OIL SHALE PLANT
OUTSIDE CURITIBA AND ANOTHER PARTY OF THREE OR FOUR (NAMES
UNKNOWN) SOUGHT FINANCING FOR A NEW FERTILIZER COMPLEX AT
ARATU, BAHIA. ONLY THE FERTILIZER GROUP APPEARS TO HAVE
HAD SOME SUCCESS. MOREIRA'S VISIT IS A GOOD EXAMPLE OF
MISDIRECTED TIME AND ENERGY THROUGH GOB FAILURE TO PROVIDE
SUFFICIENT ADVANCE NOTICE AND SPECIFIC INDICATION OF
DESIRES. END SUMMARY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 099453

1. THREE DAYS PRIOR TO THEIR ARRIVAL THE DEPARTMENT WAS INFORMED BY THE BRAZILIAN EMBASSY THAT FOUR OR FIVE PEOPLE WERE ARRIVING ON MONDAY APRIL 5 TO ESTABLISH CONTACT REGARDING OIL SHALE AND FERTILIZER PROJECTS. THE EMBASSY INDICATED THEY WOULD MAKE THE NECESSARY APPOINTMENTS (ERDA AND IBRD) BUT SAID THEY HAD NO DETAILED INFORMATION REGARDING THE SPECIFIC OBJECTIVES OF THE TRIP. MOREIRA WAS THE ONLY NAME THEY RECEIVED. THEY SAID THEY WOULD

KEEP US INFORMED AND EXPRESSED APPRECIATION FOR OUR OFFER TO BE OF ASSISTANCE. IN THE EVENT, THEY SET UP THROUGH OES THE INITIAL ERDA CONTACT, AND ARA/BR FOLLOWED UP TO CONFIRM WITH ERDA THAT ARRANGEMENTS WOULD INCLUDE TALKS WITH OFFICIALS RESPONSIBLE FOR OIL SHALE ACTIVITY AND THAT ERDA WOULD ASSIST IN SETTING UP DESIRED VISITS TO SHALE FACILITIES IN COLORADO.

2. MOREIRA VISIT. ON APRIL 8 CHARGE DINIZ BROUGHT MOREIRA TO THE DEPARTMENT TO DISCUSS WHAT HE DESCRIBED AS THE LATTER'S DISAPPOINTMENT WITH THE VISIT. IT QUICKLY BECAME APPARENT THAT CONTRARY TO BOTH THE BRAZILIAN EMBASSY'S AND THE DEPARTMENT'S EXPECTATION, MOREIRA HIMSELF HAD ABSOLUTELY NO INTEREST IN ARRANGING ANY EXCHANGES OF INFORMATION OR IN DEVELOPING R&D PROJECTS IN THE OIL SHALE FIELD. HE WAS ONLY INTERESTED IN OBTAINING IMMEDIATE FINANCING FOR A COMMERCIAL SCALE OIL SHALE PLANT THAT WOULD PRODUCE 45,000 BBS. OF OIL PER DAY. IN TERMS OF FINANCIAL ASSISTANCE THE DAY SPENT AT ERDA UNDER BRAZILIAN EMBASSY SPONSORSHIP OBVIOUSLY WAS FRUSTRATING. ON THE OTHER HAND ERDA WAS MOST HELPFUL IN ARRANGING VISITS WITH ERDA FACILITIES AND PRIVATE US COMPANIES IN COLORADO WORKING ON OIL SHALE PROJECTS. SO FAR AS WE KNOW MOREIRA SPENT ABOUT TEN DAYS THERE AND PROBABLY HAS NOW RETURNED TO BRAZIL. THE EMBASSY HAS NOT HAD ANY FURTHER INFORMATION FROM HIM SINCE HIS DEPARTURE FROM WASHINGTON.

3. MOREIRA'S VISIT TO THE IBRD, WHILE MORE TO THE POINT, WAS HARDLY MORE PRODUCTIVE. WE UNDERSTAND THAT HE WAS INFORMED THAT: A) THERE CURRENTLY IS A PROPOSAL IN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 099453

THE IBRD THAT THE BANK SHOULD GET INVOLVED IN OIL PRODUCTION PROJECTS (NOT EXPLORATION) BUT IT WOULD BE SEVERAL MONTHS BEFORE THE POLICY DECISION WAS TAKEN; B) MOREIRA'S COST ESTIMATES PER BARREL (\$14 - \$16) RAISED SERIOUS QUESTIONS ABOUT THE ECONOMIC FEASIBILITY OF THE PLANT. THE IBRD MUST CONSIDER COMPETITION BY THE INTERNATIONAL MARKET (EVEN THOUGH THE PRODUCT IN THIS CASE WAS NOT FOR EXPORT) AND CONSIDERATION OF A SHADOW RATE OF EXCHANGE

TO FIGURE COST (TO OFFSET OVERVALUATION OF THE CRUZEIRO) WOULD NOT MAKE UP THE DIFFERENCE; C) THE IBRD SELDOM FINANCES PROCESSES NOT ALREADY PROVEN COMMERCIALY. WE UNDERSTAND THAT IBRD WOULD BE SOMEWHAT MORE SYMPATHETIC IF THE PROJECT MADE MORE SENSE ECONOMICALLY BUT UNDER PRESENT CIRCUMSTANCES THERE IS LITTLE HOPE FOR BANK FINANCING.

4. WE UNDERSTAND FROM DINIZ THAT MOREIRA ALSO TALKED WITH FONSECA, THE BRAZILIAN CHIEF OF THE STAFF DEVELOPMENT SECTION IN THE IDB. EVEN FONSECA WAS COOL TO THE PROJECT AND DID NOT BOTHER TO CALL IN THE BANK'S EXPERTS. FONSECA'S POINTS WERE TWOFOLD: THE PROCESS WAS UNTESTED COMMERCIALY AND THE IDB HAS MORE URGENT PROJECTS TO FINANCE.

5. DINIZ REPORTS THAT WHEN MOREIRA MADE FAREWELL CALL ON HIM BEFORE DEPARTING FOR COLORADO, HE (MOREIRA), WHILE DISAPPOINTED, SEEMED TO HAVE ACCEPTED IDEA THAT PROJECT WAS NOT VIABLE IN TERMS OF SECURING APPROPRIATE FINANCING. HE INDICATED HE WOULD SO REPORT TO UEKI. MOREIRA ALSO EXPRESSED TO DINIZ HIS APPRECIATION FOR DEPARTMENT'S HELP AND INTEREST.

6. NEITHER BRAZILIAN EMBASSY NOR DEPARTMENT HAD SUFFICIENT ADVANCE NOTICE OR INFORMATION FROM GOB TO ARRANGE PROPERLY MOREIRA'S VISIT. WHILE NEGATIVE FINANCING OUTCOME PERHAPS COULD NOT HAVE BEEN AVOIDED, HE CERTAINLY COULD HAVE BEEN ALERTED TO INHERENT PROBLEMS SO THAT LETDOWN WAS NOT SO ABRUPT.

7. FERTILIZER PROJECT. THE ACTIVITIES OF THIS GROUP POSE SOMETHING OF A MYSTERY. ACCORDING TO DINIZ THE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 099453

GROUP NEVER CONTACTED THE EMBASSY BUT INDIRECT REPORTS FROM THE IBRD INDICATE THAT PROSPECTS SEEM GOOD FOR WORLD BANK FINANCING. THE EMBASSY UNDERSTANDS LITERATURE AND DOCUMENTATION WERE LEFT WITH THE IBRD. BANK PRESUMABLY WAS TO STUDY THIS MATERIAL AND RENEW CONTACT AT APPROPRIATE TIME.

8. IN CHECKING DINIZ'S REPORT WITH THE IBRD HOWEVER WE CAN FIND NO ONE WHO HAS DISCUSSED A FERTILIZER PROJECT IN ARATU NOR RECEIVED IN THIS TIME FRAME A GROUP FROM BRAZIL IN CONNECTION WITH PROJECT OF THIS KIND. BANK IS OF COURSE AWARE OF PETROBRAS AMMONIA PROJECTS IN SAO PAULO STATE AND SERGIPE, A CVRD PHOSPHATE PROJECT IN MINAS GERAIS AND NEW \$50 MILLION LOAN PROBABLY TO BE APPROVED NEXT MONTH FOR AMMONIA PLANT OUTSIDE CURITIBA

BUT NONE OF THESE FIT WITH WHAT LITTLE WE KNOW OF GROUP
HERE WEEK OF APRIL 5. WE HAVE NO EVIDENCE OF CONTACT WITH
OTHER IFIS.

9. RELATIONSHIP TO UEKI VISIT. AS THESE VISITS WERE
BILLED AS ADVANCE EXERCISES FOR UEKI VISIT MAY 16-22
WE ARE CONCERNED THAT WE DO NOT HAVE SUFFICIENT DETAILS
ABOUT THEIR OBJECTIVES AND RESULTS TO PLAN INTELLIGENTLY
FOR UEKI MEETINGS OR TO PREPARE APPROPRIATE BRIEFING
PAPERS FOR US GOVERNMENT OFFICIALS THAT WILL BE INVOLVED.
EMBASSY'S ASSISTANCE IS REQUESTED.

10. WITH REGARD TO MOREIRA VISIT WE WOULD BE PARTICULAR-
LY INTERESTED TO LEARN A) UEKI REACTION TO NEGATIVE
FINANCING RESULTS AND B) WHETHER IN FACT PETROBRAS IS
NOT RPT NOT INTERESTED IN R&D OR INFORMATION EXCHANGE ON
OIL SHALE AS MOREIRA STATED. WE NOTE BRASILIA'S 3311
INDICATES UEKI IS INTERESTED IN ASPECTS OF OIL SHALE
DEVELOPMENT OTHER THAN FINANCING.

11. ANY INFORMATION REGARDING FERTILIZER TEAM ACTIVITIES
AND RESULTS WILL BE A PLUS.

12. WE WOULD ALSO APPRECIATE ANY INFORMATION REGARDING
OTHER PENDING VISITS BY ELECTROBRAS AND CVRD TEAMS, THE
LATTER IN REGARD TO RIO DOCE - US STEEL PROBLEM.
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 099453

13. RESPONSE TO BRASILIA'S 2729 INCLUDING REPORT ON
GOB/CNEN REQUEST FOR NUCLEAR SECURITY TEAM TO VISIT
BRAZIL FORTHCOMING SEPT. SISCO

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINISTERIAL VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE099453
Document Source: CORE
Document Unique ID: 00
Drafter: BR:RWZIMMERMANN:LK
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760156-0506
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760425/aaaaavii.tel
Line Count: 205
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUL 2004 by CunninFX>; APPROVED <27 OCT 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UEKI ADVANCE GROUP ON OIL SHALE AND FERTILIZER SUMMARY: BILLED AS ONE OF FOUR ADVANCE GROUPS FOR THE
TAGS: TECH, OVIP, BR, US, (UEKI, SHIGEAKI)
To: BRASILIA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006